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FINANCE FACTS

A Monthly Publication on Consumer Financial Behavior

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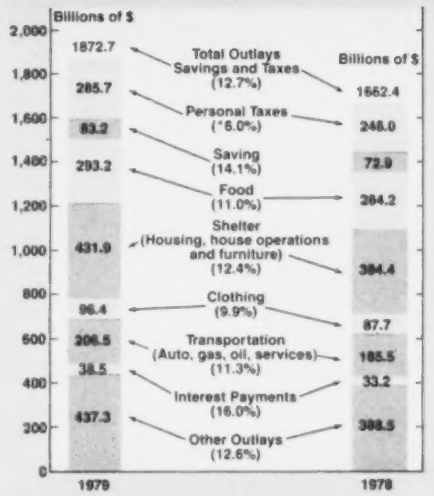
OCTOBER 1979

CONSUMER PRICES AND OUTLAYS

Consumer prices averaged 10.4% higher in first half 1979 than in first half 1978. By contrast, spendable average weekly earnings were 7.0% higher. Personal taxes were 16.1% higher as a larger share of income was taxed at higher rates. Social insurance taxes paid by individuals were up 16.3% as the rate paid by employees increased from 6.05% of earnings up to $17,700 in 1978 to 6.13% of earnings up to $22,900 in 1979.

Total personal outlays were 11.9% more in first half 1979 than first half 1978, personal outlays for food 11.0%, and transportation 11.3% more. Spending for shelter increased 12.4%, clothing and shoes 9.9%, and all other goods and services 12.6%. Interest payments to business were 16.0% higher and personal saving 14.1% higher.

Personal Overlays, Taxes and Saving 1st half 1979 and 1st half 1978
(Percent increase in parentheses)
(Personal outlays—11.9%)



HOME MORTGAGE RATES

Conventional home mortgage rates increased further from early July to early August. In early August, major mortgage lenders quoted average effective commitment rate of 11.22% on fixed-rate loans for purchase of newly built single-family homes with a 75% loan-to-price ratio and 25-year term to maturity. This was only 2-basis-point increase from early July and compares with average monthly rise of 18 basis points during previous 3 months. It also was smallest monthly increase in almost a year. Average effective interest rate on loans closed for purchasing newly built, single-family homes was 11.02% in early August, up 24 basis points from early July and twice June-to-July increase.

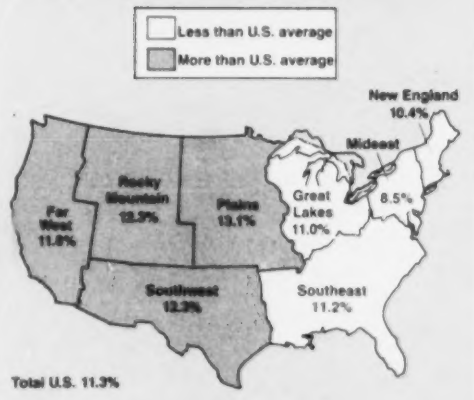
1978 STATE PER CAPITA PERSONAL INCOME

State per capita personal income in 1978 ranged from $10,963 in Alaska and $9,439 in Nevada to $5,529 in Mississippi, according to revised estimates of U.S. Department of Commerce. The U.S. average was $7,836. In District of Columbia, per capita personal income was $9,924, more than in all States except Alaska.

Most of the 20 States (and District of Columbia) with per capita personal incomes equal to or above U.S. average were in the Northeast-Great Lakes manufacturing belt and Far West region. Most of the 30 States with per capita personal incomes below U.S. average were in Southeast, Southwest, and Plains regions.

Changes in State per capita personal income from 1977 to 1978 ranged from increases of 21.9% in North Dakota to 4.8% in Alaska. Regionally, the Far West at $8,812 was ranked highest, 12% above U.S. average, and Southeast at $6,773 lowest, 14% below.

Per Cent Change in Per Capita Personal Income by Region, 1977-1978



Source: Department of Commerce

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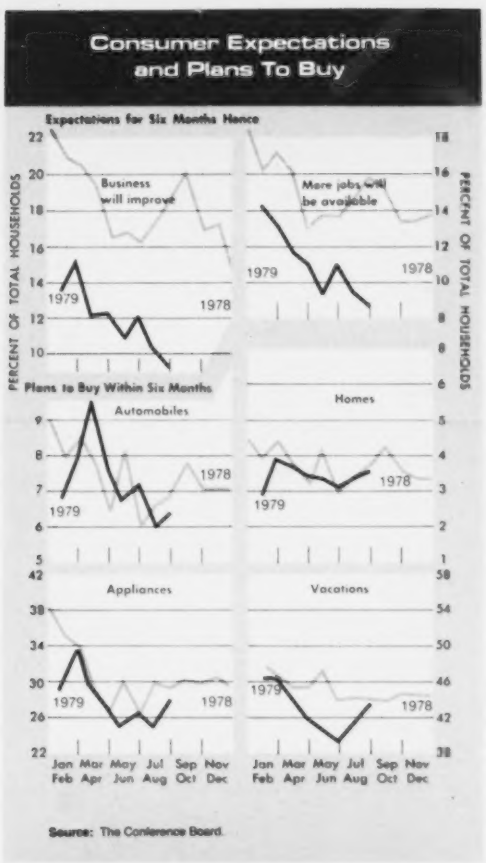

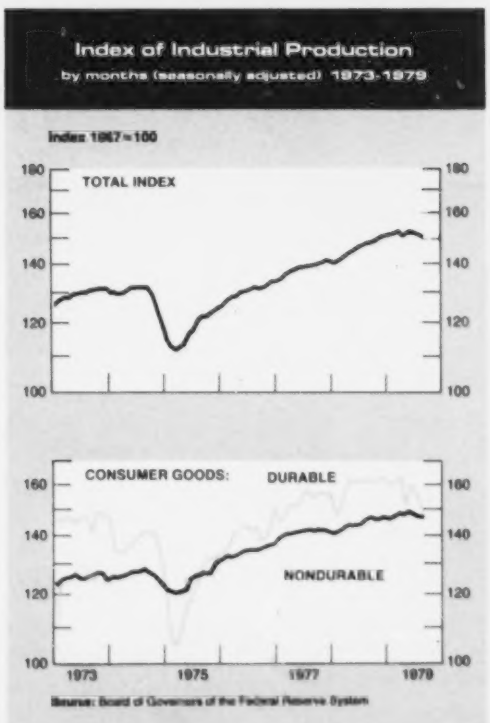

CONSUMER CONFIDENCE

Level of consumer optimism edged down marginally in August. The Conference Board's Consumer Confidence Index (1969-1970=100) registered 64.3, loss of less than 3 points. Buying plans, which have been dropping steadily since early in year, registered improvement in August.

In assessing current business scene, consumers are somewhat less optimistic than in preceding month, although their evaluation of the job situation has improved marginally. Nevertheless, expectations for future are slightly less optimistic than previously. Fewer persons believe that business will improve over next six months, and there has been decline in number who expect jobs will become more available.

Plans to spend for all major categories have turned somewhat stronger. In last probe, 6.3% of all respondents indicated they plan to purchase car—new or used—within next six months, up marginally from 6.0%. Plans to buy a home are up to 3.5% compared with earlier 3.3%. Consumer interest in major appliances is also greater, 27.6 plans to purchase were recorded for every 100 households surveyed, from 24.9 plans last time. Of respondents 43.4% indicated they planned to take vacation within next six months, up from 39.1% earlier.

BUSINESS CONFIDENCE

The Conference Board's Measure of Business Confidence has fallen to its lowest level since this measure was created in early 1976. The Confidence Measure, based on a survey of more than 1,600 chief executives across the country, expressed on scale of 0-100, plummeted to 32 in third quarter of this year, down from 41 in second quarter. Year ago figure was 49.

Nation's top executives are less optimistic now than earlier in year about all three components that make up Confidence Measure: current business conditions, economic outlook for next six months, and prospects for their own industries. Their rating of current economic conditions declined to 28, down from 47 in second quarter and 58 year ago. Their expectations for the economy declined to 29, down from 33 in second quarter. Their expectations for their own industries dipped to 38, compared with 43 in second quarter.

INDUSTRIAL PRODUCTION

Industrial production declined by estimated 1.1% in August following 0.1% increase in July and no change in June. Output of durable consumer goods was reduced sharply in August for third successive month. Business equipment and materials declined 0.8% and 1.0%, respectively. At 150.9% of 1967 average, total index was 1.4% below peak level of March 1979 and 2.0% above year earlier.

Output of consumer durable goods fell 5.4% in August as auto assemblies were reduced about 15%, and production of home goods was cut back. Output of consumer nondurable goods also declined. Production of business equipment was lower in August than in July as result of declines in business vehicles and strike-related cut in power equipment.

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PERSONAL INCOME

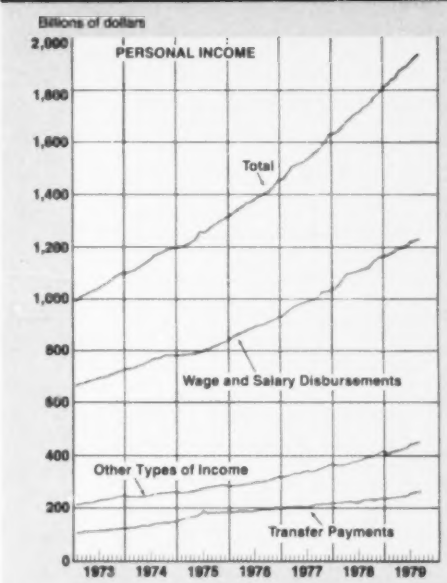
Personal income increased $8.4 billion in August to seasonally adjusted annual rate of $1,938.1 billion, according to U.S. Department of Commerce. Personal income increased $24.5 billion in July and $13.6 billion in June, based on revised estimates.

Wages and salaries increased $4.0 billion in August, compared with $8.7 billion in July. Commodity-producing industries' payrolls declined $1.4 billion, following increase of $3.1 billion in July. August decline in commodity-producing industries' payrolls was in manufacturing, which declined $1.7 billion, following an increase of $2.2 billion in July.

Transfer payments increased $2.6 billion in August, compared with $13.5 billion in July. Large July increase included $11.1 billion in cost-of-living increases; $9.7 billion increase in social security benefits was the major item.

Selected Components of Personal Income

(Seasonally Adjusted at Annual Rates)



Source: U.S. Department of Commerce

EMPLOYMENT GROWTH TRENDS

Total employment held steady in second quarter 1979 after 15 quarters of consecutive increases. All sectors, except government, experienced employment gains at beginning of year but by mid-year many had slight declines. Unemployment, which had declined for 14 quarters, was virtually unchanged at 5.7% during first half 1979. Labor force participation rates were down by mid-year, after growing rapidly in first quarter.

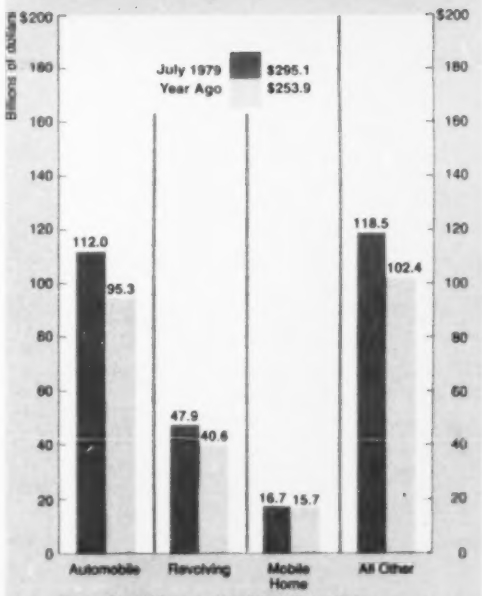
CONSUMER INSTALLMENT CREDIT

Total consumer installment credit at end July 1979 was $295.1 billion. Of this amount, $112.0 billion was outstanding in automobile credit, $47.9 billion in revolving credit, $16.7 billion in mobile home credit, and $118.5 billion in all other credit (consisting of revolving credit, other consumer goods and personal loans).

Net increase in installment credit outstanding by type since end July 1978 amounted to $41.2 billion. Of this increase, $16.7 billion was in automobile credit, $7.3 billion in revolving credit, $1.1 billion in mobile home credit and $16.1 billion in all other credit.

Net increase by institution over the year was: commercial banks—$18.5 billion; finance companies—$13.0 billion; credit unions—$5.4 billion; and all others—$4.3 billion.

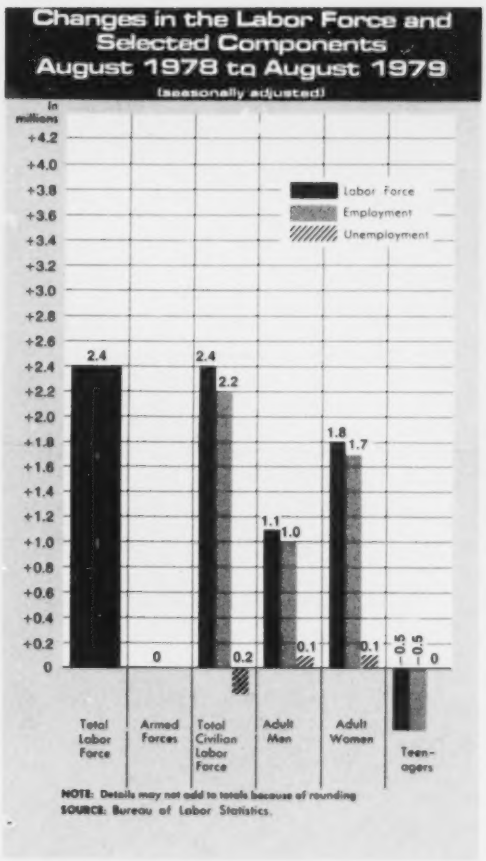
Consumer Installment Credit Outstanding



Source: Board of Governors of the Federal Reserve System
Note: Parts may not add to totals due to rounding.

PRODUCER PRICE INDEXES

Producer Price Index for Finished Goods moved up 1.2% from July to August on seasonally adjusted basis, U.S. Department of Labor reported. August advance was about same as July. Prices for intermediate (semi-finished) goods also rose 1.2%, following even larger increase in preceding month. After increasing sharply in July, crude material prices edged up only slightly. Prices for finished consumer goods advanced 1.6% following 1.2% upward movement in July, capital equipment prices rose much less in August (0.1%) than in preceding month (0.8%).



EMPLOYMENT SITUATION

Unemployment rose in August and total employment declined, U.S. Department of Labor reported. The Nation's overall unemployment rate was 6.0%, up from 5.7% in July. Total employment fell by 310,000 in August to 96.9 million. Employment has shown no growth over March-August period. Nonfarm payroll employment held at July level of 88.8 million.

Unemployment rate rose from 5.7 to 6.0% in August; during prior 12-month period rate had fluctuated narrowly around 5.8%. Number of persons unemployed also increased over month, from 5.8 to 6.1 million. Much of this increase was due to sharp jump in number of persons on layoff. Unemployment rate for adult men (4.2%) was little changed over month, jobless rate for adult women rose from 5.5% in July to 5.9% in August, and teenage rate increased from 15.3 to 16.5%.

Total employment declined by 310,000 in August to 96.9 million; this reduction was concentrated among teenagers. Employment in August was at about level prevailing in March. Because of steady upward trend prior to March, employment showed strong growth over past year (2.1 million), with all major demographic groups sharing in the advance.

1980 CENSUS

Census of Population and Housing will officially begin on Tuesday, April 1, 1980, when the Census Bureau will count all residents of the U.S. Census is expected to count approximately 222 million people and 86 million housing units. Data will be compiled for 3,200 countries; 20,000 incorporated villages, towns and cities; 37,000 county subdivisions; 45,000 census tracts; 300,000 enumeration districts and block groups; 2,500,000 city blocks. Constitutional purpose is to provide the basis for fair apportionment among the States of seats in the House of Representatives. Census data also are used to guide the distribution of billions of dollars in Federal funds to State and local governments and the distribution of additional billions of dollars in State funds.

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601 Solar Building
1000 Sixteenth Street, N.W.
Washington, D. C. 20036

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